

**CONTRIBUTIONS FOR SPECIAL COVERAGE
UNDER THE WORKER'S COMPENSATION ACT**

Compiled by

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W.S. 27-14-205(b)

FY 2008

7/1/07-6/30/08

DEPARTMENT OF EMPLOYMENT (025)

WORKERS' SAFETY AND COMPENSATION DIVISION

Cheyenne, WY 82002

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1. General Comments/Overview/Executive Summary

The legislature has provided for coverage of specified individuals under the Worker's Compensation Act according to W.S. 27-14-102(a)(vii)(K) and (M), W.S. 27-14-108(d)(vii)(ix) and (xv), W.S. 27-14-108(e) and W.S. 27-14-108(m).

2. Specific Requirements of Statute

Presumed payroll for special coverage is to be set at a level to collect sufficient premium to offset costs of the program. W.S. 27-14-205(b) requires that anticipated deficiencies due to this subsection are to be reported to the legislature on or before January 15 of each year.

3. Impact/Consequences/Outcomes

These funds are not appropriated by the legislature. Employers enrolled in this program contribute premiums to the Industrial Accident Fund.

4. Statistical Information

Statistical information regarding special coverage collected premiums and case costs occurring during the FY 2008 (7/1/2007 - 6/30/2008) and the FY 2007 (7/1/2006 - 6/30/2007) is located in Exhibit A. FY 2008 data in Exhibit A demonstrates that the Division experienced more in case costs for the special coverage types than what was received in premium for the coverage types; i.e., the Division experienced a premium deficit of \$248,630.35 for FY 2008. FY 2007 data in Exhibit A shows that the Division experienced a premium surplus of \$359,328.48. When combining FY 2008 and FY 2007 together, the Division experienced a surplus in premium of \$110,698.13.

Additional information was gathered to determine if any one industry is the greater contributor to the premium deficit and if any trends were developing within a particular industry to support an increase in the presumed payroll. Analysis was done to review those industries that had case costs over a five-year period as compared to the premium that was paid into the fund during that same period. The analysis is contained in Exhibit B and displays collected premiums and cases costs occurring during the FY 2004 - FY 2008 (7/1/2003 through 6/30/2008) for these particular industries. As can be seen, industries 950000 County Governments and 960000 Fire Protection were the largest contributors to the premium deficit in 2008. It appears that 2008 was an isolated incident for these two industries when looking at their past history. Both of these industry classifications have basically operated at a premium surplus over the past five years. The Division therefore concludes that FY 2008 was not a typical year and no apparent trend has developed.

The industry classification of 622110 Hospitals was also analyzed. This classification has operated at a large premium deficit over a five-year period. The largest of the deficit came in FY 2004 and FY 2005. Since that time, it appears that this industry classification has contained its case costs and its losses have been very close to the premium collected from this classification. Due to this trend over the most recent three-year period, the Division concludes that the presumed payroll is adequate at this time.

5. Recommendations

FY 2008 did experience a premium deficit. This deficit was offset by the surplus experienced in FY 2007. The Division recommends at this time to keep the presumed payrolls at the current level. These presumed payrolls have not been adjusted for at least five years and the Division sees no immediate need to adjust these at this time.

Further, the presumed payroll as provided for under W.S. 27-14-205(b) should be adjusted for special coverage to appropriately set the level of presumed payroll for each industry with special coverage in place. The presumed payroll levels should take into consideration the base rates for each industry in the annual ratemaking process. The Division has analyzed the data by industry and evidence does not support that any noticeable trends in premium deficit are apparent with any particular industry at this time. Therefore, the Division does not recommend adjusting the presumed salary for any particular industry at this time.

6. Summation and Conclusions

The Division will not change the presumed salary levels for the upcoming rate year.

The Division will continue to analyze the appropriate level of the presumed salaries for each industry participating in the Special Coverage program and will adjust the presumed salary levels accordingly. The Division will also report to those employers participating in the Special Coverage program the presumed salary levels set for the upcoming fiscal year.